

NEWS

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Taxpayer compliance improves to 98.2 percent of taxes due

OLYMPIA, Wash., July 14, 2006 — Registered businesses pay all but 1.8 percent of state taxes due, according to the Department of Revenue's latest compliance study.

Department researchers analyzed the results of audits conducted between 2001 and 2004 to statistically project that businesses paid 98.2 percent of the state taxes they should have paid during 2002. That is a 0.4 percent improvement over the 97.8 percent compliance rate found in a 2005 study and a 0.7 percent improvement over a 97.5 percent compliance rate cited in a 2003 study.

The studies are used to identify areas where more education is needed and where enforcement resources should be redirected.

Department Director Cindi Holmstrom attributed the higher rate of compliance to past educational and enforcement efforts.

"We've worked hard to use technical analysis to identify and target problem areas," she said. "It's important to note that compliance continues to improve even though the number of registered businesses has increased significantly while Department staffing has remained flat."

The use tax, which businesses and individuals pay in lieu of the sales tax on out-of-state purchases, had the highest percentage of noncompliance at 18.1 percent. That was down from 19.5 percent in the 2005 study. Newer firms had a much higher rate of noncompliance than older firms, 7.8 percent compared to 0.9 percent, respectively.

The full study is available at

http://dor.wa.gov/Docs/Reports/Compliance_Study/compliance_study_2006.pdf

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